

# PAN GLOBAL



# BAL

— RESOURCES INC —

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited - Expressed in Canadian dollars)

**October 31, 2019**

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Pan Global Resources Inc. (the "Company") for the nine months ended October 31, 2019 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These condensed interim consolidated financial statements have not been reviewed by the Company's external auditors.



**PAN GLOBAL RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian dollars)

	Three months ended October 31,		Nine months ended October 31,	
	2019	2018	2019	2018
<b>Exploration expenditures</b> (Note 4)	\$ 491,188	\$ 339,638	\$ 1,422,572	\$ 827,478
<b>General and administrative expenses</b>				
Accounting, tax, and audit (Note 10)	16,000	15,500	47,000	46,630
Depreciaton (Note 5)	4,409	-	13,227	-
Consulting and management fees (Note 10)	30,000	30,000	131,622	121,000
Investor relations	35,612	23,094	94,529	101,857
Office and rent	4,179	1,192	7,737	3,383
Professional fees (Note 10)	6,967	23,706	31,216	56,519
Regulatory and transfer agent	2,548	3,790	22,423	29,473
Share-based compensation (Notes 8, 10)	-	-	156,338	24,134
Travel and related	29,224	27,352	71,044	27,905
	128,939	124,634	575,136	410,901
<b>Loss from operations</b>	(620,127)	(464,272)	(1,997,708)	(1,238,379)
Accretion expense (Note 7)	(528)	-	(2,073)	-
Foreign exchange gain (loss)	11,810	(5,575)	(6,684)	(10,902)
<b>LOSS AND COMPREHENSIVE LOSS</b>	\$ (608,845)	\$ (469,847)	\$ (2,006,465)	\$ (1,249,281)
Loss and comprehensive loss attributable to:				
Equity holders of the Company	\$ (518,206)	\$ (367,434)	\$ (1,726,321)	\$ (1,094,219)
Non-controlling interest (Note 9)	(90,639)	(102,413)	(280,144)	(155,062)
	\$ (608,845)	\$ (469,847)	\$ (2,006,465)	\$ (1,249,281)
<b>Loss per common share - basic and diluted</b>	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	104,597,996	93,260,778	97,766,002	85,584,471

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**PAN GLOBAL RESOURCES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Expressed in Canadian dollars)

	<b>Nine months ended October 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (2,006,465)	\$ (1,249,281)
Items not affecting cash:		
Depreciation	13,227	-
Share-based compensation	156,338	24,134
Accretion expense	2,073	-
Unrealized foreign exchange effect	(1,060)	-
Changes in non-cash working capital items:		
Receivables	(72,632)	(31,056)
Prepaid expenses	(33,599)	-
Advance to operator, net	-	32,081
Accounts payable and accrued liabilities	262,807	148,409
<b>Net cash used in operating activities</b>	<b>(1,679,311)</b>	<b>(1,075,713)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	-	(200,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(200,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Private placement financing	1,316,700	2,007,600
Share issue costs	(106,169)	(124,781)
Exercise of stock options	-	20,000
Lease payments	(14,305)	-
<b>Net cash provided by financing activities</b>	<b>1,196,226</b>	<b>1,902,819</b>
<b>Change in cash during the period</b>	<b>(483,085)</b>	<b>627,106</b>
<b>Cash, beginning of period</b>	<b>1,485,441</b>	<b>1,800,082</b>
<b>Cash, end of period</b>	<b>\$ 1,002,356</b>	<b>\$ 2,427,188</b>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**PAN GLOBAL RESOURCES INC.**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - Expressed in Canadian dollars)

	Number of common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total
<b>Balance at January 31, 2018</b>	79,355,387	\$ 13,983,346	\$ 2,662,598	\$ (14,856,862)	\$ -	\$ 1,789,082
Shares issued for private placement	10,038,000	2,007,600	-	-	-	2,007,600
Share issue costs	-	(104,781)	-	-	-	(104,781)
Finders' warrants issued	-	(19,414)	19,414	-	-	-
Exercise of stock options	20,000	37,913	(17,913)	-	-	20,000
Shares issued for acquisition	4,700,000	865,000	-	-	356,343	1,221,343
Share-based compensation	-	-	24,134	-	-	24,134
Loss for the period	-	-	-	(1,094,219)	(155,062)	(1,249,281)
<b>Balance at October 31, 2018</b>	94,113,387	\$ 16,769,664	\$ 2,688,233	\$ (15,951,081)	\$ 201,281	\$ 3,708,097

	Number of common shares	Share capital	Reserves	Deficit	Non-controlling interest	Total
<b>Balance at January 31, 2019</b>	94,293,387	\$ 16,185,929	\$ 3,236,968	\$ (16,535,071)	\$ 35,698	\$ 2,923,524
Shares issued on private placement	13,167,000	959,519	357,181	-	-	1,316,700
Share issue costs	-	(106,169)	-	-	-	(106,169)
Finders' warrants issued	-	(18,966)	18,966	-	-	-
Share-based compensation	-	-	156,338	-	-	156,338
Loss for the period	-	-	-	(1,726,321)	(280,144)	(2,006,465)
<b>Balance at October 31, 2019</b>	107,460,387	\$ 17,020,313	\$ 3,769,453	\$ (18,261,392)	\$ (244,446)	\$ 2,283,928

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Pan Global Resources Inc. (hereafter referred to as the “Company”) was incorporated under the laws of the Province of British Columbia and was established as a legal entity on February 1, 2006. On December 21, 2009, the Company changed its name from Mosam Capital Corp. to Pan Global Resources Inc.

The Company’s principal business activities are the acquisition of rights to explore for minerals and the exploration of acquired rights. The Company is primarily focused on the early stage exploration through to development of resources of copper and other metals in Spain. In addition to exercising its first option to acquire a 70% interest in Minera Aguila S.L.U. (Note 4), the Company has also signed a Letter of Intent (“LOI”) with EVALAM2003 S.L. (“EVALAM”) to acquire the Escacena Investigation Permit (Note 4). The Company is continuing to review a number of other opportunities.

The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) under the trading symbol “PGZ”. The Company’s principal office is located at 700 - 1199 West Hastings Street, Vancouver, British Columbia, V6E 3T5.

As at October 31, 2019, the Company had a working capital of \$802,321, recorded a net loss of \$2,006,465 for the nine months then ended, and had accumulated a total deficit of \$18,261,392. These condensed interim consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and develop profitable operations. These condensed interim consolidated financial statements do not include any adjustments to amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. As at October 31, 2019, the Company has not achieved profitable operations and has accumulated losses since inception. The Company will need to raise additional funds to further its exploration and development programs. Therefore, there is material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation and Measurement**

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements, except as described below, and should be read in conjunction with the annual audited financial statements of the Company for the year ended January 31, 2019.

**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Accounting standards adopted during the period**

*Adoption of IFRS 16 Leases*

Effective February 1, 2019, the Company has adopted IFRS 16 Leases ("IFRS 16") using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on February 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset ("ROU asset") and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (a) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (b) recognizes the amortization of ROU assets and interest on lease liabilities in the consolidated statement of income; and (c) separates the total amount of cash paid into principal and interest portions in the consolidated statement of cash flows. The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively;
- Accounting for non-lease components and lease components as a single lease component.

In transitioning to IFRS 16, the Company analyzed its contracts to identify whether they are or contain a lease arrangement. As a result, the Company, as a lessee, has recognized \$52,034 within lease liabilities representing its obligation to make lease payments. ROU assets of the same amount were recognized, representing its right to use the underlying assets. The weighted average incremental borrowing rate applied to the lease liabilities on February 1, 2019 was 6%. The following table summarizes the lease liabilities recognized on the consolidated statement of financial position at the date of initial application:

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	<b>February 1 2019</b>
Leases identified as a result of IFRS 16 implementation	\$ 57,304
Effect from discounting at the incremental borrowing rate	(5,270)
<b>Lease liabilities due to initial application of IFRS 16 as at February 1, 2019</b>	<b>\$ 52,034</b>

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**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Accounting standards adopted during the period (cont'd...)**

*New accounting policy for leases under IFRS 16*

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is amortized over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

**3. RECEIVABLES**

The Company's receivables arise from GST due from the Canadian and Spanish taxation authorities.

**4. EXPLORATION AND EVALUATION ASSETS**

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	<b>October 31,</b>		<b>January 31,</b>
	<b>2019</b>	Additions	<b>2019</b>
Aguilas Project, Spain	\$ 1,464,562	\$ -	\$ 1,464,562
	\$ 1,464,562	\$ -	\$ 1,464,562

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**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Aguilas Project, Spain**

In November 2016, the Company entered into a share option agreement with a related party (Note 7) for an option to acquire up to a 100% interest of a Spanish exploration company, MASL, who has been granted two mineral exploration licenses, and applied for the issuance of an additional seven mineral exploration licenses in the Provinces of Cordoba and Ciudad Real, Kingdom of Spain, collectively referred to as the "Aguilas Project". For the duration of the agreement, MASL shall act as the operator of the exploration program and the related exploration expenditures shall be funded by the Company. The Company has agreed to the aggregate consideration of 4,700,000 common shares of the Company, cash payments of \$450,000, and exploration expenditure commitments as follows:

	Cash payments	Common shares	Exploration expenditures <sup>(2)</sup>
6-month anniversary of final TSX-V approval <sup>(1)</sup>	\$ 50,000	2,200,000	\$ -
18-month anniversary of final TSX-V approval <sup>(1)</sup>	150,000	2,500,000	-
36-month anniversary of final TSX-V approval	250,000	-	-
36-month anniversary of agreement closing date	-	-	1,000,000
	\$ 450,000	4,700,000	\$ 1,000,000

<sup>(1)</sup> Cash paid and common shares issued

<sup>(2)</sup> No less than \$250,000 have been completed notwithstanding any decision by the Company not to proceed with further exploration.

Furthermore, the Company may pay \$100,000 (or 1,000,000 common shares the Company, at the election of the optionor) if the Company acquires additional exploration rights in the area of 10 kilometers surrounding the boundaries of the three exploration licenses. In November 2017, the Company paid \$50,000 to the optionor to remove this term of the agreement.

In April 2018, the Company exercised its first option to acquire a 70% equity interest in MASL. The Company paid \$50,000 and issued 2,200,000 common shares (valued at \$440,000) to the optionor. In addition, net advance of \$341,466 from the Company, representing unspent funds held by MASL, remained in MASL.

In September 2018, the Company paid \$150,000 and issued 2,500,000 common shares of the Company, valued at \$425,000, in connection to the option agreement acquiring MASL, who holds the Aguilas Project.

**Escacena Project**

In December 2018, EVALAM was granted the Escacena Investigation Permit located in Iberian Pyrite Belt in southern Spain, which is the subject of the LOI between EVALAM and the Company, who has an option to acquire 100% of the Escacena Investigation Permit for the following considerations: (a) \$350,000 in cash and (b) \$1,000,000 in exploration work commitments over a three-year period. EVALAM will retain a net smelter return ("NSR") of 0.5% on the first 12,500 tonnes of copper equivalent and 0.75% on any amount in excess of 12,500 tonnes of copper equivalent. The NSR also has a lifetime cap of \$5,000,000.

**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Exploration Expenditures**

The Company incurred exploration expenditures as follows:

<b>For the nine months ended</b>	<b>October 31, 2019</b>	<b>October 31, 2018</b>
Drilling	\$ 488,958	\$ 134,195
License fees	213,576	105,275
Professional fees	110,910	50,739
Technical consulting	90,000	126,834
Technical services	460,275	327,801
Travel	58,853	82,634
<b>Total</b>	<b>\$ 1,422,572</b>	<b>\$ 827,478</b>

**5. RIGHT-OF-USE ASSETS**

	<b>Amount</b>
Initial application of IFRS 16 (Note 2)	\$ 52,034
Depreciation	(13,227)
<b>As at October 31, 2019, net</b>	<b>\$ 38,807</b>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities consist of the following:

	<b>October 31, 2019</b>	<b>January 31, 2019</b>
Accounts payable	\$ 463,199	\$ 233,892
Accrued liabilities	94,000	60,500
<b>Total</b>	<b>\$ 557,199</b>	<b>\$ 294,392</b>

**7. LEASE LIABILITIES**

	<b>Amount</b>
Initial application of IFRS 16 (Note 2)	\$ 52,034
Accretion expense	2,073
Lease payments made	(14,305)
As at October 31, 2019	39,802
<b>Less: current portion</b>	<b>16,980</b>
<b>Long-term portion</b>	<b>\$ 22,822</b>

**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**7. LEASE LIABILITIES (cont'd...)**

As at October 31, 2019, the Company's future minimum lease payments are as follows:

	<b>Amount</b>
Not later than one year	\$ 18,843
Later than one year and not later than five years	32,421
Later than five years	-
<b>Total minimum lease payments</b>	<b>51,264</b>
Future finance charges at implicit rate	<b>(11,462)</b>
<b>Balance of unpaid obligations</b>	<b>\$ 39,802</b>

**8. SHARE CAPITAL**

**Authorized Share Capital**

Authorized share capital consists of:

- unlimited number of common shares without par value
- unlimited class "A" common shares with a par value of \$1
- unlimited class "B" common shares with a par value of \$5

In September 2019, the Company completed a non-brokered private placement for \$1,316,700 by issuing 13,167,000 units at \$0.10 per unit, where each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.20 per warrant for two years from closing date. The Company paid finders' fees of \$48,524 and issued 485,240 finders' warrants valued at \$18,966, where each finder's warrant is exercisable at \$0.20 per warrant for two years from closing of the closing date. The units, common shares, share purchase warrants, finders' warrants and shares issued upon exercise of the share purchase warrants and/or the finders' warrants are subject to a four-month holding period.

In June 2018, the Company completed a non-brokered private placement and issued 10,038,000 units at a price of \$0.20 per unit for gross proceeds of \$2,007,600. Each unit consists of one common share and one-half share purchase warrant entitling the holder of each full warrant to purchase one common share of the Company at a price of \$0.30. The warrants expire on January 18 and 27, 2020. In connection with the private placement, the Company paid \$96,756 and issued 241,890 warrants, valued at \$19,414, as finders' fees. Each full finders' warrant entitles the holder to purchase one common share of the Company at a price of \$0.30 for eighteen (18) months from the closing date. The expiry dates of all warrants issued may be accelerated by the Company if the common shares of the Company achieve a volume weighted average trading price greater than \$0.35 for twenty (20) consecutive trading days. The common shares, share purchase warrants, and common shares issued upon exercise of share purchase warrants are subject to a four-month hold period.

In March 2018, the Company issued 2,200,000 common shares of the Company, valued at \$440,000, for the exercise of its option to acquire the first 70% interest in MASL (Note 4).

**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**8. SHARE CAPITAL (cont'd...)****Stock Options**

The continuity of stock options for the nine months ended October 31, 2019 are as follows:

Expiry date	Exercise price	Balance January 31, 2019	Granted	Exercised	Expired	Balance October 31, 2019
Apr 18, 2027	\$ 0.10	2,425,000	-	-	-	2,425,000
Dec 01, 2027	\$ 0.20	2,775,000	-	-	-	2,775,000
Jun 20, 2028	\$ 0.215	125,000	-	-	-	125,000
Apr 16, 2029	\$ 0.10	-	1,745,000	-	-	1,745,000
<b>Total and exercisable</b>		<b>5,325,000</b>	<b>1,745,000</b>	<b>-</b>	<b>-</b>	<b>7,070,000</b>
Weighted average						
exercise price		\$ 0.15	\$ 0.10	\$ -	\$ -	\$ 0.14

As at October 31, 2019, the weighted average remaining life of the stock options outstanding is 8.23 (January 31, 2019 - 8.57) years.

**Share Purchase Warrants**

The continuity of share purchase warrants for the nine months ended October 31, 2019 are as follows:

Expiry date	Exercise price	Balance January 31, 2019	Issued	Exercised	Expired/cancelled	Balance October 31, 2019
Jan 18, 2020 <sup>(1)</sup>	\$ 0.30	4,161,090	-	-	-	4,161,090
Jan 27, 2020 <sup>(1)</sup>	\$ 0.30	1,125,000	-	-	-	1,125,000
Mar 06, 2020	\$ 0.10	640,200	-	-	-	640,200
Aug 20, 2021	\$ 0.20	-	13,167,000	-	-	13,167,000
<b>Total</b>		<b>5,926,290</b>	<b>13,167,000</b>	<b>-</b>	<b>-</b>	<b>19,093,290</b>
Weighted average						
exercise price		\$ 0.28	\$ 0.20	\$ -	\$ -	\$ 0.22

<sup>(1)</sup> Expiry may be accelerated, if the volume weighted average trading price of the Company's common shares on the TSX-V was greater than \$0.35 for 20 consecutive trading days.

As at October 31, 2019, the weighted average remaining life of the share purchase warrants outstanding is 1.33 (January 31, 2019 - 0.98) years.

**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

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**8. SHARE CAPITAL (cont'd...)****Share-based Compensation**

In April 2019, the Company granted 1,745,000 stock options to directors, officers, and employees of the Company with an exercise price of \$0.10 per option with an expiry date of April 16, 2029. In June 2018, the Company granted 125,000 stock options to employees of the Company with an exercise price of \$0.215 per option with an expiry date of June 28, 2028. Using the fair value method for share-based payments, the Company determined the weighted average fair value of the options granted to be \$156,338 (2018 - \$43,548) or \$0.09 (2018 - \$0.12) per share. The fair value of the stock options granted was estimated using the Black-Scholes option pricing model with weighted average assumptions as follows:

<b>For the nine months ended</b>	<b>October 31, 2019</b>	<b>October 31, 2018</b>
Risk free interest rate	1.78%	2.01%
Expected dividend yield	0%	0%
Expected stock price volatility	100%	100%
Expected life in years	10	4
Forfeiture rate	0%	0%

In accordance with the vesting terms of stock options granted, the Company recorded a charge to share-based compensation expense of \$156,338 (2018 - \$24,134) with the offsetting credit to reserves.

**9. NON-CONTROLLING INTEREST**

MASL is a 70%-owned subsidiary of the Company and is 30%-owned by a minority shareholder. For the nine months ended October 31, 2019, loss of \$280,144 (2018 - \$155,062) has been allocated to the non-controlling interest of MASL. Summarized financial information about MASL is as follows:

<b>For the nine months ended</b>	<b>October 31, 2019</b>	<b>October 31, 2018</b>
Current assets	\$ 410,812	\$ 359,516
Non-current assets	1,464,562	1,464,562
Current liabilities	245,986	222,941
Net loss and comprehensive loss	\$ 933,813	\$ 729,465

**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**10. RELATED PARTY TRANSACTIONS**

The aggregate value of transactions and outstanding balances relating to directors and key management personnel including the Company's President & Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and Corporate Secretary were as follows:

<b>For the nine months ended October 31, 2019</b>	<b>Fees or salaries</b>	<b>Share-based compensation</b>	<b>Total</b>
President & CEO	\$ 180,000	26,878	\$ 206,878
Corporate Secretary	26,215	4,480	30,695
CFO	18,000	4,480	22,480
Directors	41,622	98,551	140,173
	<b>\$ 265,837</b>	<b>\$ 134,389</b>	<b>\$ 400,226</b>

<b>For the nine months ended October 31, 2018</b>	<b>Fees or salaries</b>	<b>Share-based compensation</b>	<b>Total</b>
President & CEO	\$ 180,000	\$ -	\$ 180,000
Corporate Secretary	46,350	-	46,350
CFO	18,000	-	18,000
	<b>\$ 244,350</b>	<b>\$ -</b>	<b>\$ 244,350</b>

As at October 31, 2019, included in accounts payable and accrued liabilities is \$198,000 (January 31, 2019 - \$103,500) owing to the related parties as follows: \$180,000 (January 31, 2019 - \$90,000) to the CEO, \$18,000 (January 31, 2019 - \$6,000) to the CFO, and \$Nil (January 31, 2019 - \$7,500) to the Corporate Secretary of the Company.

In April 2018, the Company exercised its first option to acquire a 70% equity interest in MASL by paying \$50,000 and issuing 2,200,000 common shares (valued at \$440,000) to the optionor, who is the CEO of the Company.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the nine months ended October 31, 2019, the Company:

- issued 485,240 finders' warrants, valued at \$18,966, as finders' fees (Note 8); and
- recognized ROU assets and lease liabilities of \$52,034 on the initial application of IFRS 16 (Note 2).

During the nine months ended October 31, 2018, the Company:

- issued 2,200,000 common shares, valued at \$440,000, and offset \$341,466 of net advance to operator to acquire 70% interest of MASL (Note 4);
- issued 2,500,000 common shares, valued at \$425,000, in connection to the option agreement acquiring MASL, who holds the Aguilas Project (Note 4);
- issued 241,890 finders' warrants, valued at \$19,414, as finders' fees (Note 8); and
- reallocated \$17,913 from reserves for exercise of stock options.

**PAN GLOBAL RESOURCES INC.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

**12. SEGMENTED INFORMATION**

The Company operates in one reportable operating segment: the exploration and development of mineral properties. Summarized financial information for the geographic segments the Company operates in are as follows:

<b>As at October 31, 2019</b>	<b>Canada</b>	<b>Spain</b>	<b>Total</b>
Exploration and evaluation assets	\$ -	\$ 1,464,562	\$ 1,464,562
Right-of-use assets		38,807	38,807
<b>Total</b>	<b>\$ -</b>	<b>\$ 1,503,369</b>	<b>\$ 1,503,369</b>

**13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT****Financial Instruments**

The Company classified its financial instruments as follows:

<b>As at October 31, 2019</b>	<b>Amortized cost</b>
<b>Financial assets</b>	
Cash	\$ 1,002,356
<b>Financial liabilities</b>	
Accounts payable and accrued liabilities	\$ 557,199

**Fair Value**

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The carrying value of cash and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

**Risk and Capital Management**

The Company's capital includes share capital and the cumulative deficit. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company may issue new shares in order to meet its financial obligations. There was no change in the Company's approach to managing capital during the nine months ended October 31, 2019. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

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**13. FINANCIAL INSTRUMENTS, RISK AND CAPITAL MANAGEMENT (cont'd...)**

**Risk and Capital Management (cont'd...)**

The Company's activities expose it to a variety of financial risks, market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. This note presents information about the Company's exposure to each of these risks, the Company's objectives and processes for measuring and managing risk, and the Company's management of capital.

**Credit Risk**

Credit risk arises from cash and deposits with banks, as well as credit exposure on outstanding receivables and committed transactions. There is no significant concentration of credit risk. The Company's cash deposits are primarily held with a Canadian chartered bank. The Company has minimal accounts receivable exposure as it relates to amounts due from the governments of Canada and Spain pursuant to goods and services tax credits.

**Interest Rate Risk**

As the Company does not have significant interest-bearing assets, the Company's income and operating cash flows are not significantly affected by changes in market interest rates.

**Currency Risk**

The Company has identified its functional currency as the Canadian dollar. Certain of the Company's exploration expenditures have been denominated in Euros and United States dollars ("USD"). The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and those currencies. The Company has not entered into any derivative instruments to manage foreign exchange fluctuations. Management believes the foreign exchange risk related to currency conversions is minimal.

**Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on the issuance of shares and warrants to fund exploration programs and will require doing so again in the future.

**PAN GLOBAL RESOURCES INC.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited - Expressed in Canadian dollars)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2019

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**14. EVENTS AFTER REPORTING DATE**

Subsequent to October 31, 2019, the Company:

- a) has entered into an agreement, through its subsidiary Minera Sabina S.L., with Strategic Minerals Spain, S.L. to acquire all rights to the Al Andalus Investigation Permit (the "Al Andalus Property"), covering an area adjacent to the Company's Escacena Project. The Company has agreed to pay of €300,000 consisting of an initial payment of €275,000 and a final payment of €25,000 not more than six months after the signing date; and
- b) completed a non-brokered private placement issuing 14,368,516 units at a price of \$0.12 per unit for aggregate gross proceeds of \$1,724,222, where each unit is comprised of one common share and one share purchase warrant, exercisable at \$0.24 per share for two years. The Company paid finders' fees of \$48,791 and issued 406,595 finders' warrants, where each warrant is exercisable at \$0.24 per share for two years.